ADDITIONAL CONTRIBUTIONS

Department of Employee Trust Funds
P. O. Box 7931
Madison, WI 53707-7931

ET-2123 (REV 03/2004)

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Who should read this booklet?

Participants of the Wisconsin Retirement System who:

- ***would like to make additional contributions to their account to supplement their retirement benefit; or***
- ***are considering buying creditable service to increase their retirement benefits.***

Introduction

As a participant in the Wisconsin Retirement System (WRS) you may be able to make voluntary additional contributions to your account. You are a participant if you have a WRS account that is based on your own WRS covered employment. Your WRS account can have an active, inactive or annuitant status. Your eligibility to make these contributions, as well as the amount that you may contribute each year, is subject to federal tax laws.

This booklet describes the type of additional contributions that you can make, the benefits of making these contributions, and the restrictions that apply.

Regular After-Tax Additional Contributions

Regular additional contributions are made to a WRS account from after-tax earnings. As a WRS participant, you are eligible to make after-tax additional contributions to your account in any year that you have taxable earnings from a WRS participating employer. This applies even if your earnings are not recorded on your WRS account. The amount that you can contribute in any year is subject to the limitations imposed by federal tax laws. [See *Determining Annual Contribution Limits* section.]

There are two ways that you can make regular additional contributions to your WRS account. The first is through payroll deduction. This requires an agreement between you and your employer to deduct a specified amount from your after-tax earnings. Your employer will then submit the contributions monthly to the Department of Employee Trust Funds. The second method is for you to submit an additional contribution directly to the Department of Employee Trust Funds as a lump sum payment. This contribution payment must be received by the Department no later than the last state business day of the year in order to receive interest for the following year.

Although you make these additional contributions from after-tax earnings, the interest credited to your WRS account accumulates on a tax-deferred basis. You will not be subject to state and federal income tax on the investment earnings that are credited to your account until you or your beneficiary receive these amounts as a distribution from your WRS account.

Tax-Deferred Additional Contributions under Sec. 403(b) of the Internal Revenue Code (IRC)

Additional contributions to the WRS from pre-tax earnings can be made only by employees of certain school districts and other educational institution employers. These contributions are regulated by IRC Sec. 403(b). To be eligible to make tax-deferred additional contributions to your WRS retirement account, your employer must have initiated a tax-deferred additional program with the WRS for at least one employee prior to May 17, 1982.

You can only make tax-deferred additional contributions through your employer as a deferral from earnings. You and your employer are responsible for arranging payroll deductions and determining how much you can contribute during the year under regulating federal tax laws. The Department does not monitor your contributions or assist in calculating the amount that you are eligible to contribute.

If you elect to make tax-deferred additional contributions, you must initiate this with your employer and enter into a salary reduction agreement to contribute a monthly amount to your WRS account. Any necessary forms to accomplish this are the responsibility of your employer.

Tax-deferred additional contributions, plus the interest credited to your account, are not subject to state and federal income tax until they are distributed to you or your beneficiary. However, Social Security tax and the required employer and employee contributions to the WRS are based on your gross salary amount, before the tax-deferred additional reduction.

Determining Annual Contribution Limits

This section does not apply to tax-deferred additional contributions under Sec. 403(b).

All employer and employee after-tax contributions to the WRS are subject to annual limits as imposed by federal tax law. In 2004 you may contribute 100% of your gross compensation for the calendar year, up to $41,000. This $41,000 maximum limit may be increased in future years.

The gross earnings amount that you will use to calculate the 100% limit is the total of the taxable income you receive from your WRS employer, plus any amounts that are deferred from these earnings [such as to a Sec. 457 or 403(b) deferred compensation plan or a Section 125 employee reimbursement account].

The following contributions apply toward your annual contribution limit. You must include these contributions in the calculation of your annual maximum contribution:

- All employee required contributions to the WRS (whether they are paid by you or paid by your employer as a fringe benefit)
- A matching amount of employer required contributions
- Any benefit adjustment contribution (BAC) amount that is actually paid by you
- Any voluntary regular additional (after-tax) employee contributions to your WRS Account
- Any additional contributions paid directly by your employer to your account (employer additional contributions)

See the *Maximum Additional Contribution Worksheet* (ET-2566) on page 7.

Investment of Your Additional Contributions

Your additional contributions will be invested in the WRS trust funds. If you are not participating in the variable trust at the time you make your additional contributions, all of your additional contributions will be deposited in the fixed trust.

If you elected to participate in the variable trust, your regular and additional contributions may be split between the fixed and variable trust. How your additional contributions are invested depends on when you elected to participate in the variable trust:

- If you elected to participate in the variable trust effective January 1, 2001 or later, 50% of your additional contributions will automatically be deposited in the variable trust. The remaining 50% will be deposited in the fixed trust.
- If you elected to participate in the variable trust before April 29, 1980, you may specify what portion of your additional contributions you wish to deposit in the fixed and variable trusts. You may choose to have from 0% to 100% deposited in the variable trust. If you do not instruct the Department on how you want your additional contributions invested, they will be divided equally between the fixed and variable trusts.

Purchasing Creditable Service

You can use your regular and/or tax-deferred additional WRS account balance to purchase creditable service. The types of service you can purchase include WRS forfeited, qualifying, and other governmental agencies service (federal, state or local). A brochure entitled *Buying Creditable Service* (ET-4121) is available that provides detailed information about this feature.

Benefit Payment Options

When you terminate employment or retire from your position covered by the WRS, you may elect to begin receiving a benefit or you may defer distribution up to April 1 of the year following the calendar year you attain age 70½. You cannot withdraw your additional contributions, regular or tax-deferred, until you terminate your WRS covered employment.

There is no minimum age for a distribution. However, if you terminate WRS participation prior to the year you reach age 55, you may be subject to an early distribution penalty if you receive your balance before you attain age 59½. You should contact a tax advisor for more information regarding this potential tax penalty.

You may withdraw both your regular and tax-deferred additional contributions in a lump sum payment, or as a monthly annuity. Annuity options are only available to you if your monthly payment amount is more than $140* per month, **or** if your annuity from additional contributions begins on the same date as your monthly annuity from your required contributions. If you have both regular and tax-deferred additional contributions, your benefit is based on the combined account balances.

If you are under age 55 (50 for protective employment categories) and withdraw your employee-required contributions, your additional contributions are included in your lump sum separation benefit. If you leave your required contributions in the WRS, you may begin a withdrawal from your additional account immediately, or delay it until a later date. [See *Distribution Requirements* section.]

If you are over age 55 (50 for protective employment categories) and begin a benefit from your required contributions immediately, you may include your additional contributions with this benefit or elect to delay distribution until a later date. However, if your required contribution benefit is a lump sum payment, your additional contribution account is also included in this payment.

If you select an annuity for your additional account balance alone, your annuity will be based on the balance in your account and the annuity rates in effect when the annuity begins. The number of payments you select cannot exceed your life expectancy based on federal mortality tables. Tables I and II on page 5 show some of the available annuity options and the amount payable for each $1,000 in your account. For more information about the different benefit options, see the brochure entitled *Choosing An Annuity Option* (ET-4117).

Distribution Requirements

Distributions from your WRS required and additional account (tax-deferred and after-tax) must comply with regulating federal tax laws. You are required to begin a distribution from both your required and additional accounts by April 1 of the year following the calendar year you reach age 70½ or the year you retire, if this is later.

You are also subject to minimum distribution rules. Federal tax law requires that a minimum amount be paid to you from your WRS account beginning for the year in which you reach age 70½, or the year you retire if later. This means that if you delay beginning your distribution until your required begin date, your total payments in your first year must also include the minimum distribution amount for the previous year. If you fail to meet the minimum distribution requirements, you may be subject to substantial federal excise tax penalties.

Wisconsin statutes require that you apply for a benefit from your required and additional accounts no later than the end of the year that you reach age 69½, or the year you terminate employment if later. If you are age 69, you may elect a later date for your benefit distribution, up to your required begin date.

* *This amount is for payments made in 2004, and is indexed upward annually.*

The Department will notify you during your 69½ year, or the year you retire if later, that you must apply for a distribution. If you fail to submit a benefit application by the end of the year you reach age 69½ or the year you retire if later, the Department may initiate an automatic distribution from your account any time after the following January 1.

You may request benefit estimates from the Department up to one year in advance of your anticipated benefit date. For information about the federal distribution requirements, contact the Internal Revenue Service or your tax consultant.

Death Benefits

There are specific requirements that apply to distributions to your beneficiary. If you die after you start receiving monthly payments from your additional contributions, the death benefit is based on the annuity option you selected. Any payments your beneficiary is entitled to must continue to be paid out at that time. Distribution cannot be delayed.

If you die before your benefit from your additional account begins, your beneficiaries are subject to the following restrictions:

If your beneficiary is your spouse: Your surviving spouse may delay receiving a benefit until the January 1 of the year you would have reached age 70½. Your spouse must file a beneficiary designation form with the Department by September of the year following your death to be allowed to postpone this distribution.

If your beneficiary is a not a spouse: Your beneficiary(ies) has two options: 1) begin a monthly annuity effective no later than November 1 of the year following the calendar year in which you die; or 2) apply for a lump sum payment of your entire additional account balance by September of the fifth year after your death.

Rollovers to Another Plan

To avoid an immediate tax liability on a lump sum payment or an annuity certain of less than 10 years, you may roll over your payments from your WRS account, both required and additional, directly into an eligible employer plan, a Sec. 403(b) tax deferred plan, a Sec. 457 governmental defined compensation plan, or a traditional Individual Retirement Account (IRA). A rollover can be completed only if you are applying for a lump sum payment or an annuity certain option, with payments for less than 120 months. To accomplish this, you must submit an *Authorization for Direct Rollover* form ET-7355 with your benefit application.

You are responsible for ensuring that the receiving institution is qualified to receive this rollover. The check(s) for the amount of your rollover payment(s) is issued to the receiving financial institution, but is mailed directly to you. You are responsible for transmitting the check(s) to the receiving institution. If you are over age 70½, the amount you can roll over may be limited. Consult your tax advisor for information.

You may not roll in, or transfer, dollars into your WRS account from other qualified retirement plans, Sec. 403(b) tax deferred annuity plans or Section 457 plan. At this time, the WRS cannot accept rollovers from other plans.

Exception: you may transfer contributions from certain types of retirement plans only for the purpose of buying WRS creditable service. The WRS can accept direct transfers for service purchases from retirement plans qualified under sections 401(a), 401(k), 403(b) and 457 of the Internal Revenue Code.

Table I - Annuities Certain

(Payable for a Specified Time period)

Each $1,000 of additional contributions provides the following monthly amount for the number of months selected as an Annuity Certain.

Annuity Certain

Months	Amount	Months	Amount
24	$43.82	108	$11.46
36	29.92	120	10.55
48	22.98	132	9.81
60	18.82	144	9.19
72	16.05	156	8.67
84	14.08	168	8.23
96	12.61	180	7.85

Examples

Additional Amount	Number of Years Payable	Number of Payments	Monthly Amount
$ 1,000	2 years	24	$ 43.82
1,000	5 years	60	18.82
1,000	15 years	180	7.85
10,000	2 years	24	438.20
10,000	5 years	60	188.20
10,000	15 years	180	78.50

Table II - Life Annuities

(See *Choosing An Annuity Option* for an Explanation of Optional Forms of Annuity)

Each $1,000 of additional contributions provides the following monthly amounts for the option For Annuitant's Life Only.

For Annuitant's Life Only

Monthly Benefit for Age	Per $1,000 in Account
55	$5.73
60	6.30
62	6.59
65	7.12

To convert the For Annuitant's Life Only amount to an option which includes a guaranteed minimum number of payments, multiply by the factors below.

Conversion Factors

Age of Participant	Life - 60 Payments Guaranteed	Life* - 180 payments Guaranteed
55	.997	.976
60	.995	.956
62	.993	.944
65	.990	.918

Example: Member's Age	-	65
Total Accumulation	-	$10,500.00
$10,500.00 x .00712	=	$74.76 per month Straight Life
$74.76 x .990	=	$74.01 per month Life with 60 payments guaranteed
$74.76 x .918	=	$68.63 per month Life with 180 payments guaranteed

* *The number of payments may be restricted to fewer than 180 monthly payments based on life expectancy tables.*

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P.O. Box 7931
Madison WI 53707-7931

MAXIMUM ADDITIONAL CONTRIBUTION WORKSHEET
For Calendar Year 2004

Employee Name (please print)	Social Security Number

Contributions to the Wisconsin Retirement System (WRS) are subject to contribution limits under Sec. 415(c) of the Internal Revenue Code (IRC). Contributions that are subject to this limit cannot exceed 100% of your gross compensation from your WRS employer or $41,000, whichever is less, in the calendar year in which the Department receives the contributions.

The WRS, which is qualified under Sec. 401(a) of the IRC, does not have a "catch up" provision for additional contributions.

When you or your employer make voluntary regular (after-tax) additional contributions to your WRS account you must use this worksheet to calculate the maximum amount of voluntary contributions that you can make to the WRS. We recommend you contact your employer for assistance in correctly completing this worksheet.

Fill in or calculate the following amounts			
A	Enter the **lesser** of $41,000 or the amount of your projected **gross compensation*** from your WRS employer(s) for the current calendar year. The lesser of these two amounts is the **maximum** amount of contributions that can be made to your WRS account, per IRC Sec. 415(c). * Gross compensation includes all compensation from a WRS participating employer actually paid or made available to the individual for the year in which the contribution is made. This includes any amounts deferred such as to a tax deferred savings plan or IRC Sec. 125 cafeteria plan.		
B	Enter your projected **WRS reportable earnings** for the current year. This amount will include any tax-deferred amounts. Note: This amount may be different than the gross compensation, as certain allowances and lump sum payments are not reportable as earnings to the WRS. Check with your employer if you have questions about what is reported to the WRS.		
C	Multiply the amount from line B times _____% **(see the Employee Required Contribution Rates* below for the contribution rate for your employment category) and multiply this amount times 2**. This will equal your employee required plus matching employer required contribution amount.	=	
D	Subtract line C from line A.	=	
E	Check with your employer to see if you pay a Benefit Adjustment Contribution (BAC). If yes, multiply line B times ______% to determine the BAC **that will actually be paid by you.** Contact your employer for this percentage rate.		
F	Subtract line E from line D to obtain the total maximum amount that you and/or your employer can contribute to the WRS as additional contributions.	=	
G	If your employer has or will be making any additional contributions to your WRS account for the current year, enter the amount here.		
H	Subtract line G from line F. The result is the total maximum amount that you can contribute to your WRS account.	=	

*** 2004 Employee Required Contribution Rates:**

General/Teachers/Educational Support Personnel	5.0%	Protectives with Social Security	4.5%
Judges/Executive/Elected Officials	2.6%	Protectives without Social Security	3.2%

Date (MM/DD/CCYY)	Signature of Preparer (Employee or Employer)	Telephone Number

If prepared by Employer, include Employer Identification Number (EIN): 69-036-____________________

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The Department of Employee Trust Funds does not discriminate on the basis of disability in the provision of programs, services or employment. If you are speech, hearing or visually impaired and need assistance, call toll free 1-877-533-5020, (608) 266-3285 (local Madison) or TTY (608) 267-0676. We will try to find another way to get the information to you in a usable form.

Always include your name, Social Security Number, and date of birth on all correspondence to this Department.

Contacting the Department of Employee Trust Funds

Self-Service Toll-Free Telephone Services

Available 24 hours a day, seven days a week. You must have a touch-tone telephone to use these systems.

SELF-SERVICE LINE: Call 1-877-383-1888 or (608) 266-2323 (local Madison) to request forms and brochures. Wisconsin Retirement System annuitants may also change their home mailing address or tax withholding election through this self-service line.

TELEPHONE MESSAGE CENTER: Call 1-800-991-5540 or (608) 264-6633 (local Madison) to hear detailed recorded messages covering a variety of Wisconsin Retirement System topics.

Note: *You will not be able to talk to a "live" person using these systems. To speak to a benefits specialist, call the telephone numbers listed below.*

To Visit our Internet Site

Access the Internet site at etf.wi.gov. A tremendous amount of information is on-line regarding the Wisconsin Retirement System and other benefit programs. You may e-mail the Department through this site.

To Call During Office Hours

Office Hours: 7:45 am to 4:30 pm, Monday through Friday (except holidays)

Toll Free: 1-877-533-5020

Madison: Main Line: (608) 266-3285
To make an appointment: (608) 266-5717
TTY (Teletypewriter for hearing & speech impaired):
(608) 267-0676

Milwaukee: To make an appointment: (414) 227-4294

To Write Us

Department of Employee Trust Funds
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To Visit Us
(An appointment is recommended)

Madison: 801 West Badger Road
Milwaukee: 819 North Sixth Street, Room 550